

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 COME-00 AID-05 IGA-01 OES-03

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INFO AMCONSUL GUAYAQUIL

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TAGS: PFOR, EGEN, EC, US

SUBJECT: ECUADOR'S REPLY ON THE TRADE REFORM ACT

1. BEGIN LIMITED OFFICIAL USE. SUMMARY: A STATEMENT RELEASED JOINTLY ON JANUARY 9 BY THE GOE MINISTRY OF FOREGIN RELATIONS AND MINISTRY OF INDUSTRIES IS THE FIRST APPARENT OFFICIAL RIPOSTE TO EXPLANATIONS GIVEN BY STATE DEPARTMENT SPOKESMEN ON NEXT STEPS TO BE TAKEN TO AMEILORATE THE RESTRICTIVE CLAUSES OF THE TRADE REFORM ACT. ALL THINGS CONSIDERED, IT WAS VERY MILD, A FAINTLY HURT FEELING BEING THE PRIMARY CHARACTERISTIC. THE STATEMENT PUTS FORTH SELECTED AND SOMEWHAT DISTORTED GOE TRADE STATISTICS (SUCH AS THAT THE US PROVIDED 37 PERCENT OF ECUADOR'S IMPORTS FROM 1969-73, BUT TOOK ONLY 32 PERCENT OF ITS EXPORTS, WITH AN ALLEGED US SURPLUS OF \$170 MILLION IN THE BILATERAL BALANCE OF TRADE, COMMODITIES, AND SERVICES FOR 1973). ECUADOR'S TRADE IS DESCRIBED AS BROAD AND FLEXIBLE, WITHOUT DISCRIMINATION OR DIFFERENTIAL TREATMENT BY COUNTRIES, REGIONS, OR MONETARY AREAS, NEGLIGIBLE DUTIES FOR CAPITAL, INTERMEDIATE GOODS AND RAW MATERIALS WHICH ARE NOT PRODUCED LOCALLY, WITH NO ADMINISTRATIVE OR FOREIGN EXCHANGE RESTRICTIONS -- A SYSTEM TAKEN ADVANTAGE OF BY BOTH THE US AND OTHER COUNTRIES ON THE LIMITED OFFICIAL USE

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BASIS OF PRICES AND QUALITY". 85 PERCENT OF ECUADOR'S

EXPORTS TO THE US CONSIST OF ONLY 6 PRODUCTS, ALL OF THEM PRIMARY: BANANAS, COFFEE, CACAO, SUGAR, FROZEN SHELLFISH, AND PETROLEUM. THE STATEMENT REVIEWS THE LONG NEGOTIATIONS PROCESS THAT LED TO THE SEPTEMBER 1970 AGREEMENT WITHIN UNCTAD TO GRANT PREFERENTIAL TARIFF TREATMENT TO PRODUCTS MANUFACTURED BY DEVELOPING NATIONS; AND ENDS BY SAYING THAT THE TRADE REFORM ACT WHICH HAS JUST BEEN SIGNED OPPOSES THE DEVELOPMENT OF INTERNATIONAL TRADE AND DEVIATES FROM THE EFFORTS OF THE PAST SEVERAL YEARS TO ACHIEVE A NON-DISCRIMINATORY GENERALIZED PREFERENCE SYSTEM FOR TARIFFS: THE TRADE REFORM ACT IS CONTRARY TO THE RULES OF THE GATT, AND THE GENERAL AND SPECIAL PRINCIPLES APPROVED BY UNCTAD WHICH GOVERN INTERNATIONAL TRADE RELATIONS, AS WELL AS OPPOSING THE ECONOMIC DEVELOPMENT AND SOCIAL PROGRESS OF LATIN AMERICA. THE STATEMENT IS ESSENTIALLY NON-POLEMICAL IN NATURE HOWEVER, AND NOWHERE MENTIONS OPEC OR PRODUCER CARTELS, MAKES NO ATTEMPT TO RAKE THE US OVER IDEOLOGICAL COALS. IT WAS ISSUED WITH A MINIMUM FANFARE, AND ACTUALLY RESPONDS (IN THE MANNER OF ITS PRESENTATION) TO THE USG'S EXPRESSED DESIRE FOR A QUIET, REASONED DIALOGUE, FREE OF FIREWORKS. THE TONE IS DEFINITELY ONE OF INJURED INNOCENCE, RATHER THAN OUTRAGED REACTION. INFORMAL TRANSLATION OF FULL TEXT FOLLOWS. END SUMMARY.

2. BEGIN UNCLASSIFIED. BEGIN TEXT. COMMUNIQUE ISSUED BY THE MINISTRY OF INDUSTRIES AND MINISTRY OF FOREIGN RELATIONS. BECAUSE OF THEIR IMPORTANCE, COMMERCIAL RELATIONS WITH THE UNITED STATES RANK IN FIRST PLACE IN ECUADOREAN TRADE. ACCORDING TO STATISTICAL DATA FOR THE FIVE-YEAR PERIOD 1969-73, THAT COUNTRY ABSORBED, ON AN AVERAGE, 32 PERCENT OF OUR EXPORTS AND PROVIDED 37 PERCENT OF OUR TOTAL IMPORTS. OUR MUTUAL TRADE IS CHARACTERIZED BY THE FACT THAT IT INCREASES BOTH WAYS, ALTHOUGH THE MOST ACTIVE IMPORTS INCREASE IN A LARGER VOLUMEN AND VALUE, WHICH RESULTS IN SHARPER UNFAVORABLE BALANCE.

IN ORDER TO APPRAISE THE IMPORTANCE OF MUTUAL TRADE AND THE INEQUALITY IN THE EXCHANGE OF COMMODITIES WE SHOULD RECALL THAT, IN 1973, EXPORTS AMOUNTED TO LIMITED OFFICIAL USE

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115 MILLION DOLLARS, WHILE IMPORTS ROSE TO 173 MILLION DOLLARS, OR A NEGATIVE BALANCE OF 50 MILLION DOLLARS. IF WE CONSIDER THE CURRENT ACCOUNT BALANCE IN THE BALANCE OF PAYMENTS, I.E. THE RESULT OF TRANSACTIONS IN COMMODITIES AND SERVICES BETWEEN ECUADOR AND THE UNITED STATES, THE UNFAVORABLE SITUATION FOR ECUADOR BECOMES MORE OBVIOUS, SINCE THE EXCESS FOR 1973 WAS 170 MILLION DOLLARS.

ECUADOREAN COMMERCIAL LEGISLATION IS QUITE BROAD AND FLEXIBLE, AND IS OPEN TO MULTILATERAL TRADE WITHOUT DISCRIMINATION, DIFFERENTIAL TREATMENT BY COUNTRIES, REGIONS OR MONETARY AREAS, AND THIS FACT HAS MADE IT POSSIBLE TO MAINTAIN A WIDE GEOGRAPHICAL SCOPE IN OUR EXCHANGE WITH MORE THAN 120 COUNTRIES. OUR SYSTEM FOR IMPORTS INSURES STABLE AND FAVORABLE CONDITIONS FOR IMPORTING, SINCE IT HAS A TARIFF SCHEDULE WITH ALMOST NEGLIGIBLE DUTIES FOR CAPITAL, INTERMEDIATE GOODS, AND RAW MATERIALS WHICH ARE NOT PRODUCED LOCALLY. IT IS SUPPLEMENTED BY PROVISIONS WHICH DO NOT CONTAIN ADMINISTRATIVE OR FOREIGN EXCHANGE RESTRICTIONS, AND THIS SYSTEM IS TAKEN ADVANTAGE OF BY BOTH THE UNITED STATES AND OTHER COUNTRIES ON THE BASIS OF PRICES AND QUALITY.

ECUADOREAN COMMERCIAL LEGISLATION HAS SERVED AS AN OVERALL FRAMEWORK FOR FACILITATING TRANSACTIONS, ESPECIALLY WITH THE UNITED STATES, NOT ONLY BECAUSE OF ITS GEOGRAPHICALLY CLOSE TO US, BUT ALSO BECAUSE OF ITS CAPACITY FOR TRANSPORTATION, MARKETING CHANNELS, THE EXISTENCE OF SUBSIDIARY BUSINESS FIRMS LOCATED IN OUR COUNTRY, AND OTHER FACTORS WHICH, IF TAKEN TOGETHER AND IN AN OPEN BUSINESS ENVIRONMENT, ON THE BASIS OF PRIVATE INITIATIVE, HAVE RESULTED IN US SALES TO ECUADOR ACHIEVING A DOMINATING POSITION, INCREASING FROM YEAR TO YEAR.

ECUADOR IMPORTS FOOD PRODUCTS, RAW MATERIALS, AND INTERMEDIATE AND CAPITAL GOODS FROM THE UNITED STATES, INCLUDING MILK, WHEAT, OATS, VEGETABLE OILS IN BULK, LEAF-TOBACCO, CIGARETTES, CHEMICALS, PHARMACEUTICALS, FERTILIZERS, EXTRACTS FOR SOFT DRINKS, INSECTICIDES, POLYMERIZATION PRODUCTS, PAPER AND CARDBOARD, SYNTHETIC FIBERS, STEEL PIPES, TIN PLATE, ENGINES AND MOTORS, LIMITED OFFICIAL USE

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PUMPS, FIRE-FIGHTING EQUIPMENT, HEATERS, REFRIGERATORS, A WIDE VARIETY OF INDUSTRIAL EQUIPMENT AND MACHINERY, HARDWARE, TRACTORS, VEHICLES, CHASSIS FOR TRUCKS, ETC.

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ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 AID-05 IGA-01 OES-03

FEA-01 STR-01 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

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AS OPPOSED TO THE VARIED RANGE OF IMPORTS FROM THE UNITED STATES, ECUADOREAN EXPORTS COMPRISE, TO THE EXTENT OF 85 PERCENT OF THE TOTAL VALUE, SIX PRODUCTS: BANANAS, COFFEE, CACAO, SUGAR, FROZEN SHELLFISH AND PETROLEUM. THE BALANCE IS MADE UP OF SMALL AND IRREGULAR SHIPMENTS OF Balsa wood, castor beans, cocoa butter and various semi-manufactured products, some of which are subject to quotas or restrictions which prevent the increase of such exports, particularly in the case of manufactured products on which heavy duties are levied by U.S. tariff schedules in proportion to the advanced stages of transformation of the goods. The exportation of products such as tuna fish and sardines in oil, luggage, leather goods, textiles, canned fruit and vegetables, wearing apparel, chocolates, cocoa butter, wooden articles, leaf-tobacco, dehydrated bananas, canteloups, etc., to mention only a few products, is restricted by high tariff duties, quotas, labelling requirements, etc.

IN BRINGING TO AN END THE LONG PROCESS OF NEGOTIATIONS IN UNCTAD, 18 industrialized countries agreed in September, 1970 to grant preferential tariff treatment to products
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MANUFACTURED BY DEVELOPING COUNTRIES, AS A DEFINITE AND SIGNIFICANT MEASURE FOR ENCOURAGING TRADE, PROMOTING INDUSTRIALIZATION AND SPEEDING UP THE RATE OF ECONOMIC GROWTH IN THE DEVELOPING COUNTRIES. THE INDUSTRIALIZED COUNTRIES, WHICH ARE MEMBERS OF THE EUROPEAN ECONOMIC COMMUNITY (WESTERN GERMANY, BELGIUM, LUXEMBOURG, THE

NETHERLANDS, FRANCE, ITALY, DENMARK, THE UNITED KINGDOM AND IRELAND), AUSTRIA, SWITZERLAND, NORWAY, FINLAND, SWEDEN, CANADA, THE UNITED STATES, NEW ZEALAND AND JAPAN, REPEATEDLY UNDERTOOK TO REMOVE OR SUBSTANTIALLY REDUCE THE TARIFFS AND OTHER RESTRICTIONS ON IMPORTS, ON THE BASIS OF THE BENEFITS ACCRUING UNDER THIS SYSTEM TO ALL THE DEVELOPING COUNTRIES WITHOUT DISCRIMINATION, AND LASTLY, THAT THESE ADVANTAGES WOULD BE NON-RECIPROCAL, I.E. RECEIVED WITHOUT ANY KIND OF COMPENSATION. WHILE ALL THE OTHER DEVELOPED COUNTRIES BEGAN TO APPLY THE GENERALIZED PREFERENCE SYSTEM (GPS) OF UNCTAD, THE UNITED STATES HAS SO FAR PUT OFF ITS APPLICATION PENDING APPROVAL BY THE CONGRESS OF THE 1974 AMENDMENTS TO ITS TRADE ACT.

THE LATIN AMERICAN COUNTRIES HAVE ON SEVERAL OCCASIONS AND AT THE PROPER MEETINGS, PARTICULARLY IN THE CONSULTATION AND NEGOTIATION SPECIAL COMMITTEE (CNSC) OF CIES, BROUGHT THEIR VIEWS WITH RESPECT TO THE GPS TO THE KNOWLEDGE OF THE UNITED STATES. SINCE 1969 AND UNTIL TODAY, AT THE CNSC AND ITS AUXILIARY BODIES, INCLUDING THE LATEST MEETING OF THE AD-HOC TRADE GROUP WHICH WAS HELD IN GUATEMALA IN NOVEMBER, 1974, ECUADOR AND ALL THE OTHER LATIN AMERICAN COUNTRIES HAVE EXPRESSED THEIR VIEW WITH RESPECT TO THOSE PRODUCTS IN WHICH THEY ARE PARTICULARLY INTERESTED AND WHICH SHOULD BE INCLUDED IN THE PREFERENTIAL SCHEDULE, THE NEED FOR A GENERALIZATION OF BENEFITS FOR ALL COUNTRIES, THE REMOVAL OF TARIFFS AND QUANTITATIVE RESTRICTIONS, THE ESTABLISHMENT OF ADEQUATE PROCEDURES FOR APPLICATION OF THE SAFEGUARDING CLAUSES, AND, IN ADDITION, HAVE EXPRESSED THEIR SERIOUS CONCERN ABOUT THE DRAFT TRADE ACT, SINCE IT CONTAINED DISCRIMINATORY AND COERCIVE CLAUSES, WHICH WOULD DISTURB THE NORMAL DEVELOPMENT OF COMMERCIAL RELATIONS, WOULD VIOLATE THE COMMITMENTS UNDERTAKEN, AND THE PROMISES OF THE UNITED STATES.

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THE AFORESAID ACT THREATENS TO EXCLUDE FROM THE BENEFITS OF THE GENERALIZED PREFERENCE SYSTEM ALL THOSE DEVELOPING COUNTRIES WHICH ASSOCIATE WITH ONE ANOTHER FOR THE PURPOSE OF COORDINATING THEIR EXPORTATION POLICIES, CONSULT ON MATTERS OF MUTUAL INTEREST, AND DEFEND PRICE LEVELS FOR THEIR RAW MATERIALS WHICH WOULD ENABLE THEM TO HAVE THE REGULAR REVENUES THEY REQUIRE TO FINANCE THE INCREASING COSTS OF THEIR ECONOMIC DEVELOPMENT. THOSE COUNTRIES PRODUCING COFFEE, CACAO, PETROLEUM, SUGAR, BANANAS, COPPER, IRON ORE, BAUXITE, RUBBER, ETC., AMONG OTHERS, MIGHT, UNDER THE ACT WHICH HAS JUST BEEN APPROVED, BE DISCRIMINATED AGAINST BY THE U.S. GOVERNMENT BECAUSE THEY COOPERATED WITH OTHER PRODUCING COUNTRIES

FOR THE PURPOSE OF EXERCISING SOVEREIGNTY OVER THEIR
NATURAL RESOURCES AND THE EXPLOITATION THEREOF IN SUCH A
MANNER TO SERVE THEIR NATIONAL INTERESTS. INTERNATIONAL
ECONOMIC COOPERATION IS MUTUALLY BENEFICIAL, AS IT PERMITS
THE DEVELOPING COUNTRIES TO PROTECT THE PRICES OF THEIR
PRIMARY PRODUCTS, TO IMPROVE THEIR PARTICIPATION IN THE
MARKETS, TO ESTABLISH A JUST AND EQUITABLE RELATION
BETWEEN THE PRICES OF THE RAW MATERIALS THEY EXPORT AND
THE FOOD PRODUCTS, RAW MATERIALS, MANUFACTURED PRODUCTS
AND CAPITAL GOODS WHICH THEY IMPORT FROM THE INDUSTRIALIZED
COUNTRIES, WITH A VIEW TO REVERSING A NEGATIVE
TENDENCY TO STAGNATION AND ACHIEVING THAT PROSPERITY TO
WHICH ALL PEOPLES ARE ENTITLED.
THUS, THE ACT WHICH HAS JUST BEEN ENACTED IN THE
UNITED STATES OPPOSES THE DEVELOPMENT OF INTERNATIONAL
TRADE AND ENTIRELY DEVIATES FROM THE WISHES OF THE
DEVELOPING COUNTRIES TO ACHIEVE A NON-DISCRIMINATORY
GENERALIZED PREFERENCE SYSTEM; ITS PROVISIONS ARE
CONTRARY TO THE RULES OF THE GENERAL AGREEMENT ON TARIFFS
AND TRADE (GATT), THE GENERAL AND SPECIAL PRINCIPLES
APPROVED BY UNCTAD WHICH GOVERN INTERNATIONAL TRADE
RELATIONS, AND THE ECONOMIC DEVELOPMENT AND SOCIAL
PROGRESS OF LATIN AMERICA. END TEXT.
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